

Service Date: January 6, 2003

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application of NorthWestern)	UTILITY DIVISION
Energy's: (1) Unreflected Gas Cost Account Balance and)	DOCKET NO. D2002.11.140
Projected Gas Cost; and (2) Gas Transportation)	ORDER NO. 6468
Adjustment Clause Balance.)	

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INTERIM ORDER

FINDINGS OF FACT

1. On November 13, 2002, NorthWestern Energy (NWE) filed with the Montana Public Service Commission (PSC) an application for approval of gas rates which:

- A) Reflects rate treatment for the balance in Account No. 191 (as Adjusted), Unreflected Gas Costs, for the 12-month period ending October 31, 2002.
- B) Reflects the projected tracking market, supply and gas costs for the 8-month period November 1, 2002 to June 30, 2003;
- C) Reflects rate treatment for amortization of the GTAC Balance (as adjusted), for the 12-month period ending October 31, 2002;and,
- D) Extinguishes the unit amortizations in the current rate schedules, approved in Order No. 6394d.

2. NWE said it believes that it is imperative to continue to provide price transparency and the lowest supply cost possible. The shift of tracker years to the July to June timeframe, it argues, will assist NWE in estimating the actual supply cost and effectively align the tracker year with the supply and storage procurement strategies. NWE states that the rate filing period change should provide customers with more price transparency before the prime heating season.

3. NWE states the projected gas price for 2003 is \$3.3741 per dkt compared with \$2.17 per dkt in 2002 and \$3.832 per dkt in 2001. NWE says it purchases wholesale natural gas

from producers and passes the cost directly on to customers without mark-up. The net adjustments proposed in this filing result in the following:

- A) A change of 35 per cent to the commodity based rates for core residential customers;
- B) A 29 per cent change for general service customers.
- C) The utility class commodity based rates will change 103 per cent and the reservation rate will change -6 per cent.
- D) The transportation reservation rate at the distribution level for firm service (Rate Schedule D-FTG-1) will change -0.34 per cent.
- E) The transportation commodity based rates at transmission level for firm service (Rate Schedule T-FTG-1) and interruptible service (Rate Schedule T-ITG-1) change -26 percent and -8 per cent respectively.
- F) The storage reservation rate (Rate Schedule T-FSG-1) will change by -16 per cent.
- G) The core and utility rates reflect decreases, primarily because of an increase in this tracker's gas cost projections.
- H) The transportation and storage rates at distribution and transmission level change because of the net rate impact of activities associated with the GTAC mechanism.

4. Included in this application is a request for interim approval of the new gas rates to become effective for services rendered on and after December 15, 2002. NWE states that absent an interim increase it will experience significant cash flow shortages, which will have a detrimental effect on it in advance of a rate adjustment, and will place a greater future burden on customers. Customers, it feels, are fully protected if an interim increase is granted. If in the final order, it is determined that rates should have been lower, a complete refund to customers of any over-collection will be paid back plus interest at a rate of 10.75 percent.

5. Upon review, the PSC finds that the proposed rate increases, on an interim basis, appear to be just, fair and reasonable and therefore approves the full increase.

CONCLUSION OF LAW

1. NWE provides natural gas service within the State of Montana and as such is a "public utility" within the meaning of § 69-3-101, MCA.

2. The PSC properly exercises jurisdiction over NWE's rates and operations pursuant to Title 69, Chapter 3, MCA.

3. The PSC may at its discretion, within the scope of § 69-3-304, MCA, make temporary approvals of requests pending a hearing or final decision.

4. The rate levels and spread approved in this Order are a reasonable means of providing interim relief to NWE. The rebate provisions of § 69-3-304, MCA, protect ratepayers until there is a Final Order in this Docket.

ORDER

1. NWE shall implement, on an interim basis, rates designed to increase annual Montana jurisdictional natural gas revenues by 35 percent.

2. NWE shall adhere to and abide by all provisions in the Interim Order. All rate schedules shall comply with all determinations set forth in this Interim Order.

3. NWE must file tariffs in compliance with the Findings of Fact in this Interim Order.

4. Nothing in this Order precludes the PSC from adopting in its Final Order a revenue requirement different from that contained in this Interim Order.

5. Any interest associated with a refund that might result from the final revenue increase granted in this Order will be computed at 10.75 percent, the approved return on equity for this Interim increase.

6. Interim approval of any matters in this proceeding should not be viewed as final endorsement by the PSC of any issues, calculations, or methodologies approved in this Interim Order.

7. This Interim Order is effective for services rendered on and after December 15, 2002.

DONE IN OPEN SESSION at Helena on this 12th day of December, 2002 by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

GARY FELAND, Chairman

JAY STOVALL, Vice Chairman
(Voting to Dissent)

BOB ANDERSON, Commissioner

MATT BRAINARD, Commissioner
(Voting to Dissent)

BOB ROWE, Commissioner

ATTEST:

Rhonda J. Simmons
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.